



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LAWRENCE COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David Compton, Lawrence County Judge/Executive

Honorable Bobby Workman, Lawrence County Sheriff

Members of the Lawrence County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Lawrence County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, P.S.C., evaluated the Lawrence County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", written over a horizontal line.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LAWRENCE COUNTY SHERIFF**

Calendar Year 1999

EXECUTIVE SUMMARY
LAWRENCE COUNTY
BOBBY WORKMAN, SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

The Lawrence County Sheriff's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control or compliance issues. The Sheriff received operating revenue from various sources, including a federal grant of \$17,437 for salaries. The Sheriff also received a state advance of \$45,370 and borrowed \$1,500 from the seized funds account to fund the operations of his office when cash flows were low. Both the state advance and the loan from the seized funds account were repaid when the Sheriff received his tax commissions. The Sheriff's office generated excess fees of \$1,086, which represents net income of the office after paying all expenses for the year. Excess fees are payable to the County Fiscal Court and as of the completion of fieldwork excess fee had yet to be remitted to the Fiscal Court.

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To the People of Kentucky

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Members of the Lawrence County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Lawrence County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued a report dated September 6, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
September 6, 2000

LAWRENCE COUNTY
BOBBY WORKMAN, SHERIFF
~~STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES~~

Calendar Year 1999

~~Receipts~~

Federal Grant		\$	17,437
Federal Fees For Services:			
Lake Patrol			12,095
State Fees For Services:			
Finance and Administration Cabinet	\$	7,162	
Marijuana Eradication Overtime		948	
Marina Patrol		<u>4,320</u>	12,430
Circuit Court Clerk -			
Sheriff Security Services			12,676
County Clerk - Delinquent Taxes			2,820
Commission on Taxes Collected			105,582
Fees Collected For Services -			
Auto Inspections	\$	11,460	
Accident and Police Reports		168	
Serving Papers		6,061	
Penalty on Delinquent Taxes		<u>30,424</u>	48,113
Other -			
Audit Adjustment	\$	(1,635)	
Carrying Concealed Deadly Weapon Permits		4,395	
Dog Tags		141	
Election Commission		700	
KLEFPF		10,026	
Miscellaneous		1,511	
Seized Money		<u>1,927</u>	17,065
Interest Earned			1,456
Borrowed Money:			
State Advancement	\$	45,370	
Loan from Seized Funds Account		<u>1,500</u>	<u>46,870</u>
Total Receipts (Carried Forward)			\$ 276,544

The accompanying notes are an integral part of the financial statement.

LAWRENCE COUNTY
BOBBY WORKMAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999
(CONTINUED)

Total Receipts (Brought Forward)		<u>\$ 276,544</u>
Disbursements		
Operating Disbursements -		
Personnel Services -		
Deputies' Gross Salaries		\$ 114,616
Contracted Services -		
Advertising	\$ 371	
Auto Inspections	3,460	
CCDW Instructor	384	
Professional Service	<u>25</u>	4,240
Supplies and Materials -		
Office Materials and Supplies	\$ 6,591	
Uniforms	<u>6,741</u>	13,332
Auto Expense -		
Gasoline	\$ 10,328	
Maintenance and Repairs	<u>13,679</u>	24,007
Other Charges -		
Bank Charges	\$ 1,530	
Carrying Concealed Deadly Weapon Permits	420	
Computer Expense	228	
Dog Tags	75	
K-9 Expense	92	
Miscellaneous	929	
Postage	225	
Sheriff's Expenses	1,251	
Training Expense	608	
Transportation Expense	<u>270</u>	5,628
Debt Service -		
State Advancement	\$ 45,370	
Repay Loan to Seized Funds Account	<u>1,500</u>	46,870
Capital Outlay		
Vehicle		<u>9,000</u>
Total Disbursements		<u>\$ 217,693</u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
BOBBY WORKMAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(CONTINUED)

Net Receipts	\$ 58,851
Less: Statutory Maximum	<u>57,765</u>
Excess Fees Due County for Calendar Year 1999	\$ 1,086
Payments to County Treasurer	<u>-</u>
Balance Due at Completion of Audit	<u><u>\$ 1,086</u></u>

The accompanying notes are an integral part of the financial statement.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(CONTINUED)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NOTE 4 - SPECIAL ACCOUNT FUND

During calendar year 1999, the Sheriff maintained a special account which contained funds received from seizing money or property as a law enforcement agency pursuant to KRS 218A.415. The beginning balance from calendar year 1998 was \$2,108. All funds were disbursed during 1999 leaving a balance of \$0 at December 31, 1999.

NOTE 5 - GRANT

During calendar year 1999, the Sheriff received a grant from the federal government under a COPS universal hiring program. The Sheriff received and disbursed \$ 17,437 during calendar year 1999.

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COMMENTS AND RECOMMENDATIONS

LAWRENCE COUNTY
BOBBY WORKMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

Current Year Comments And Recommendations:

There are no current year comments or recommendations.

Prior Year Comments And Recommendations:

In the prior year it was reported that the Sheriff should invest the money in the fee account in an interest bearing account. The Sheriff has determined, after consulting with the bank, that since the fee account normally has a low balance, the fees charged by the bank would exceed any interest the account would earn. Therefore, the Sheriff has determined that it would not be beneficial to invest the money in the fee account.

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REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable David Compton, County Judge/Executive
Honorable Bobby Workman, Lawrence County Sheriff
Members of the Lawrence County Fiscal Court

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of the Financial
Statement Performed in Accordance With Government Auditing Standards

We have audited the Lawrence County Sheriff as of December 31, 1999, and issued our report thereon dated September 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lawrence County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lawrence County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
September 6, 2000